

**REPORT OF THE AUDIT OF THE
ROWAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ROWAN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

The Auditor of Public Accounts has completed the Rowan County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances decreased by \$749,008 from the beginning of the year, resulting in a cash surplus of \$782,492 as of June 30, 2003.

Debt Obligations:

Total long-term debt principal as of June 30, 2003, was \$2,254,498. Future collections of \$2,543,199 are needed over the next 9 years to pay all long-term debt principal and interest.

Capital lease principal agreements totaled \$1,620,000 as of June 30, 2003. Future principal and interest payments of \$1,909,695 are needed to meet these obligations.

Report Comment:

- The County Should Maintain Time Records For All Employees

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
Auditor of Public Accounts

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Clyde A. Thomas, Rowan County Judge/Executive

Members of the Rowan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Rowan County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances - governmental fund types; the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund type; and the related statement of cash flows for the year then ended. These financial statements are the responsibility of the Rowan County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Rowan County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Rowan County, Kentucky, as of June 30, 2003, and the revenues received and expenditures paid, and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.

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AN EQUAL OPPORTUNITY EMPLOYER M/F/D



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Clyde A. Thomas, Rowan County Judge/Executive
Members of the Rowan County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2004, on our consideration of Rowan County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Rowan County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comment:

- The County Should Maintain Time Records For All Employees

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
February 11, 2004

ROWAN COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

Clyde A. Thomas	County Judge/Executive
Jerry Flannery	Magistrate
Mary Anna Pecco	Magistrate
Troy D. Perkins	Magistrate
Nick Caudill	Magistrate

Other Elected Officials:

William R. Roberts	County Attorney
Timothy Bryant	Jailer
Jean W. Bailey	County Clerk
Jim Barker	Circuit Court Clerk
Jack Carter	Sheriff
C.J. Baker	Property Valuation Administrator
John P. Northcutt	Coroner

Appointed Personnel:

Tim Gibbs	Deputy Judge/Executive
Kerry M. Jessee	County Treasurer
Charlie Stansbury	Occupational Tax Collector
Maryann Stevens	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

ROWAN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	Governmental Fund Type			Proprietary Fund Type
	General	Special Revenue	Debt Service	Enterprise
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 525,659	\$ 123,868	\$ 129,074	\$ 5,654
Loan Receivable (Note 4)			40,098	
Total Assets	<u>\$ 525,659</u>	<u>\$ 123,868</u>	<u>\$ 169,172</u>	<u>\$ 5,654</u>
<u>Other Resources</u>				
Amounts to Be Provided in Future Years for:				
Kentucky Area Development Districts				
Financing Trust (Note 5)	\$ 1,265,000	\$ 115,000	\$	\$
Kentucky Association of Counties				
Leasing Trust Agreement (Note 5)	240,000			
Bond Principal Payments:				
Detention Facility Series 1997				
Bond (Note 4)			750,926	
Road Improvement Bond (Note 4)			1,320,000	
Loan Payable (Note 4)	14,400			
Total Other Resources	<u>\$ 1,519,400</u>	<u>\$ 115,000</u>	<u>\$ 2,070,926</u>	<u>\$ 0</u>
Total Assets and Other Resources	<u>\$ 2,045,059</u>	<u>\$ 238,868</u>	<u>\$ 2,240,098</u>	<u>\$ 5,654</u>

The accompanying notes are an integral part of the financial statements.

ROWAN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

Totals
(Memorandum Only)
Reporting
Entity

\$ 784,255
40,098

\$ 824,353

\$ 1,380,000
240,000
750,926
1,320,000
14,400

\$ 3,705,326

\$ 4,529,679

The accompanying notes are an integral part of the financial statements.

ROWAN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

	Governmental Fund Type			Proprietary Fund Type
	General	Special Revenue	Debt Service	Enterprise
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Kentucky Area Development Districts Financing Trust (Note 5)	\$ 1,265,000	\$ 115,000	\$	\$
Kentucky Association of Counties Leasing Trust Agreement (Note 5)	240,000			
Bonds:				
Detention Facility Series 1997 Bond (Note 4)			880,000	
Road Improvement Bond (Note 4)			1,320,000	
Loans Payable (Note 4)	14,400		40,098	
Total Liabilities	\$ 1,519,400	\$ 115,000	\$ 2,240,098	\$ 0
<u>Equity</u>				
Retained Earnings	\$	\$	\$	\$ 5,654
Fund Balances:				
Reserved		123,868		
Unreserved	525,659			
Total Equity	\$ 525,659	\$ 123,868	\$ 0	\$
Total Liabilities and Equity	\$ 2,045,059	\$ 238,868	\$ 2,240,098	\$

The accompanying notes are an integral part of the financial statements.

ROWAN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

Totals
(Memorandum Only)
Reporting
Entity

\$ 1,380,000

240,000

880,000

1,320,000

54,498

\$ 3,874,498

\$ 5,654

123,868

525,659

\$ 655,181

\$ 4,529,679

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE

ROWAN COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,270,996	\$ 2,051,495	\$ 659,179	\$ 36,190
Other Financing Sources:				
Transfers In		915,412	446,500	
Total Cash Receipts	<u>\$ 3,270,996</u>	<u>\$ 2,966,907</u>	<u>\$ 1,105,679</u>	<u>\$ 36,190</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,347,578	\$ 2,479,412	\$ 957,854	\$ 38,290
Other Financing Uses:				
Schedule of County of Rowan Properties Corporation Fund Expenditures				
Transfers Out	1,320,653	255,510	121,223	
Bonds:				
Principal Paid				
Interest Paid				
Borrowed Money Repaid		10,800		
Kentucky Area Development Districts Financing Trust - Principal	145,000			
Kentucky Association of Counties Leasing Trust - Principal		227,000		
Total Cash Disbursements	<u>\$ 3,813,231</u>	<u>\$ 2,972,722</u>	<u>\$ 1,079,077</u>	<u>\$ 38,290</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (542,235)	\$ (5,815)	\$ 26,602	\$ (2,100)
Cash Balance - July 1, 2002*	<u>986,022</u>	<u>15,609</u>	<u>2,145</u>	<u>41,489</u>
Cash Balance - June 30, 2003	<u><u>\$ 443,787</u></u>	<u><u>\$ 9,794</u></u>	<u><u>\$ 28,747</u></u>	<u><u>\$ 39,389</u></u>

*The General Fund cash balance at July 1, 2002, does not agree to the prior year ending balance by \$91, due to voided checks.

The accompanying notes are an integral part of the financial statements.

ROWAN COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE
For The Fiscal Year Ended June 30, 2003
(Continued)

General Fund Type	Special Revenue Fund Type					Debt Service Fund Type
Disaster and Emergency Services Fund	State Grants Fund	Hazmat - 8 Fund	Ambulance Fund	Forest Fund	County of Rowan Properties Corporation Fund	
\$ 30,786	\$ 50,000	\$ 375,674	\$ 1,015,535	\$ 1,212	\$ 1,597	
26,815			120,000	200	383,459	
\$ 57,601	\$ 50,000	\$ 375,674	\$ 1,135,535	\$ 1,412	\$ 385,056	
\$ 55,861	\$ 8,231	\$ 337,160	\$ 1,201,752	\$ 1,604	\$	
						2,688
						195,000
						265,000
						113,583
						4,038
			35,000			
\$ 55,861	\$ 8,231	\$ 337,160	\$ 1,236,752	\$ 1,604	\$ 580,309	
\$ 1,740	\$ 41,769	\$ 38,514	\$ (101,217)	\$ (192)	\$ (195,253)	
439			144,779	215	324,327	
\$ 2,179	\$ 41,769	\$ 38,514	\$ 43,562	\$ 23	\$ 129,074	

The accompanying notes are an integral part of the financial statements.

ROWAN COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE
 For The Fiscal Year Ended June 30, 2003
 (Continued)

	Totals (Memorandum Only)
<u>Cash Receipts</u>	
Schedule of Operating Revenue	\$ 7,492,664
Other Financing Sources:	
Transfers In	<u>1,892,386</u>
Total Cash Receipts	<u>\$ 9,385,050</u>
<u>Cash Disbursements</u>	
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 7,427,742
Other Financing Uses:	
Schedule of County of Rowan Properties	
Corporation Fund Expenditures	2,688
Transfers Out	1,892,386
Bonds:	
Principal Paid	265,000
Interest Paid	113,583
Borrowed Money Repaid	14,838
Kentucky Area Development Districts	
Financing Trust - Principal	180,000
Kentucky Association of Counties	
Leasing Trust - Principal	<u>227,000</u>
Total Cash Disbursements	<u>\$ 10,123,237</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (738,187)
Cash Balance - July 1, 2002*	<u>1,515,025</u>
Cash Balance - June 30, 2003	<u>\$ 776,838</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE

ROWAN COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

<u>Cash Receipts</u>	<u>Jail Canteen Fund</u>
Receipts - Jail Canteen	\$ 35,458
Total Cash Receipts	<u>\$ 35,458</u>
 <u>Cash Disbursements</u>	
Expenditures - Jail Canteen	<u>\$ 46,279</u>
Total Cash Disbursements	<u>\$ 46,279</u>
Deficit of Cash Receipts Under Cash Disbursements	\$ (10,821)
Cash Balance - July 1, 2002	<u>16,475</u>
Cash Balance - June 30, 2003	<u><u>\$ 5,654</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

ROWAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Funds</u>
	<u>Jail Canteen</u>
Cash Flows From Operating Activities:	
Cash Received	\$ 35,458
Payments	<u>(46,279)</u>
Net Cash Used By Operating Activities	<u>\$ (10,821)</u>
Net Decrease in Cash	\$ (10,821)
Cash and Cash Equivalents - July 1, 2002	<u>16,475</u>
Cash and Cash Equivalents - June 30, 2003	<u><u>\$ 5,654</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	<u>\$ (10,821)</u>
Net Changes in Assets and Liabilities:	
Net Cash Used by Operating Activities	<u><u>\$ (10,821)</u></u>

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Rowan County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the County of Rowan Properties Corporation as part of the reporting entity.

The County of Rowan Properties Corporation

The County of Rowan Properties Corporation (the Corporation) is a legally separate entity established to provide long-term debt service for the Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court members. Therefore, management must include the Corporation as a component unit, and the Corporation's financial activity has been blended with that of the Fiscal Court.

Additional - Rowan County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Rowan County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Rowan County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Rowan County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and the Disaster and Emergency Services Fund.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Rowan County Special Revenue Fund Type includes the following county funds: State Grants Fund, Hazmat-8 Fund, Ambulance Fund, and the Forest Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the County of Rowan Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Rowan County Enterprise Fund Type includes the jail canteen fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Rowan County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the County of Rowan Properties Fund (Debt Service Fund). The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. For the purpose of the statement of cash flows, management considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Jointly Governed Organization

A jointly governed organization is an entity that results from a multigovernmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating governments. The jointly governed organization can act independently of each of the participating governments. The Menifee, Morgan, and Rowan Counties Industrial Park (MMRC) meets the criteria noted above and is an organization jointly governed by the Kentucky counties previously mentioned. The Morehead - Rowan County Airport Board also meets the criteria noted above and is disclosed as an organization jointly governed by the City of Morehead and Rowan County.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Long-Term Debt

A. County of Rowan Properties Corporation - Abuse Center

On April 23, 1996, the County of Rowan Properties Corporation entered into a loan with Firststar Bank for \$65,000 for the purchase of a building. The loan carries an interest rate of 6.25% and requires monthly payments of \$561 for 180 months, to be paid in full April 21, 2011. The principal balance of the agreement was \$40,098 as of June 30, 2003. The County of Rowan Properties Corporation has entered into a lease-purchase agreement for the building with Rowan County Fiscal Court and Rowan County Fiscal Court has subleased the building to DOVES of Gateway. The sublease with DOVES of Gateway constitutes a loan receivable for the Fiscal Court. The loan, lease purchase, and sublease are under the same terms. Loan payments for the remaining years are:

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Long-Term Debt (Continued)

A. County of Rowan Properties Corporation - Abuse Center (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 2,512	\$ 4,315
2005	2,231	4,496
2006	1,937	4,789
2007	1,415	5,102
2008	1,295	5,431
2009-2011	<u>1,649</u>	<u>15,965</u>
Totals	<u>\$ 11,039</u>	<u>\$ 40,098</u>

B. County of Rowan Properties Corporation - Detention Center

On September 1, 1997, the County of Rowan Properties Corporation issued \$1,285,000 of revenue bonds for the purpose of a defeasance of the 1991 bond series issue. The 1991 bonds were originally issued to finance construction of the Rowan County Detention Center. The refunding bonds were dated September 1, 1997, with the requirement that semiannual interest payments be made on March 1 and September 1 of each year commencing March 1, 1998. One principal payment is due on March 1 of each year. The bonds will mature March 1, 2012. As of June 30, 2003, the principal amount outstanding was \$880,000. Bond payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 44,265	\$ 80,000
2005	40,265	85,000
2006	36,015	90,000
2007	31,515	95,000
2008	26,765	95,000
2009-2012	<u>56,560</u>	<u>435,000</u>
Totals	<u>\$ 235,385</u>	<u>\$ 880,000</u>

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Long-Term Debt (Continued)

C. County of Rowan Properties Corporation - Road Improvements

On June 15, 1999, the County of Rowan Properties Corporation issued \$2,035,000 of revenue bonds for road improvements. The bonds require that semiannual interest and principal payments be made on June 1 and December 1 of each year. One principal payment is due on June 1 of each year. The bonds will mature June 1, 2009. As of June 30, 2003, the principal amount outstanding was \$1,320,000. Bond payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 57,530	\$ 195,000
2005	49,243	205,000
2006	40,530	215,000
2007	31,393	225,000
2008	21,605	235,000
2009	<u>11,148</u>	<u>245,000</u>
Totals	<u>\$ 211,449</u>	<u>\$ 1,320,000</u>

D. Chevrolet Truck - Loan

On October 31, 2001, Rowan County entered into a loan with GMAC for \$33,295 for the purchase of new truck. The loan carries an interest rate of zero percent (0%) and requires monthly payments of \$900 for 36 months, to be paid in full November 30, 2004. The principal balance of the agreement was \$14,400 as of June 30, 2003. Loan payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>
2004	\$ 10,800
2005	<u>3,600</u>
Totals	<u>\$ 14,400</u>

ROWAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2003
 (Continued)

Note 5. Capital Leases

A. KACO - Road Improvements

Rowan County entered into a \$992,000 lease agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The agreement required variable monthly payments for 132 months to be paid in full January 20, 2003. The final payment on the road improvements lease was made in January 2003.

B. KACO - Road Improvements

Rowan County entered into a \$1,000,000 lease agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The agreement requires variable monthly payments for 114 months to be paid in full January 30, 2005. The principal balance of the agreement was \$240,000 as of June 30, 2003. Lease payments for the remaining years are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	\$ 10,317	\$ 117,000
2005	4,323	123,000
Totals	<u>\$ 14,640</u>	<u>\$ 240,000</u>

C. KADD - Airport Land Acquisition

Rowan County entered into a \$1,500,000 lease agreement with the Kentucky Area Development Districts Financing Trust for airport land acquisition. The lease requires that semiannual interest payments be made on December 1 and June 1 of each year commencing December 1, 2000. One principal payment is due on June 1 of each year. The lease agreement ends June 1, 2010. The Morehead – Rowan County Airport Board made a resolution that they would provide funds to the Rowan County Fiscal Court to make these payments. The Morehead – Rowan County Airport Board's ability to provide this funding is contingent on the Transportation Cabinet's Kentucky Aviation Economic Development Fund continuing to provide annual assistance to them. The principal balance on the lease was \$1,125,00 as of June 30, 2003. Lease payments for the remaining years are:

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Capital Leases (Continued)

C. KADD - Airport Land Acquisition (Continued)

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	\$ 56,378	\$ 140,000
2005	49,727	145,000
2006	42,840	150,000
2007	35,190	160,000
2008	27,030	170,000
2009-2010	27,795	360,000
Totals	<u>\$ 238,960</u>	<u>\$ 1,125,000</u>

D. KADD - Fire Truck

Rowan County entered into a \$170,000 lease agreement with the Kentucky Area Development Districts Financing Trust for the purchase of a fire truck. The lease requires that semiannual interest payments be made on December 1 and June 1 of each year. One principal payment is due on June 1 of each year. The lease agreement ends June 1, 2011. The principal on the lease was \$140,000 as of June 30, 2003. Lease payments for the remaining years are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	\$ 5,700	\$ 15,000
2005	5,160	15,000
2006	4,620	15,000
2007	3,990	15,000
2008	3,360	20,000
2009-2011	5,040	60,000
Totals	<u>\$ 27,870</u>	<u>\$ 140,000</u>

E. KADD - Ambulance Board

Rowan County entered into a \$150,000 lease agreement with the Kentucky Area Development Districts Financing Trust for debt consolidation of the former Rowan County Ambulance Board. The lease requires that semiannual interest payments be made on December 1 and June 1 of each year. One principal payment is due on June 1 of each year. The lease agreement ends June 1, 2006. The principal on the lease was \$115,000 as of June 30, 2003. Lease payments for the remaining years are:

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Capital Leases (Continued)

E. KADD - Ambulance Board (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 4,025	\$ 35,000
2005	2,800	40,000
2006	<u>1,400</u>	<u>40,000</u>
Totals	<u>\$ 8,225</u>	<u>\$ 115,000</u>

Note 6. Insurance

For the fiscal year ended June 30, 2003, Rowan County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

ROWAN COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 3,549,666	\$ 3,270,996	\$ (278,670)
Road and Bridge Fund	1,977,389	2,051,495	74,106
Jail Fund	591,807	659,179	67,372
Local Government Economic Assistance Fund	40,000	36,190	(3,810)
Disaster and Emergency Services Fund	31,223	30,786	(437)
<u>Special Revenue Fund Type</u>			
State Grants Fund	50,000	50,000	
Hazmat - 8 Fund	547,563	375,674	(171,889)
Ambulance Fund	843,445	1,015,535	172,090
Forest Fund	1,000	1,212	212
Totals	<u>\$ 7,632,093</u>	<u>\$ 7,491,067</u>	<u>\$ (141,026)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 7,632,093
Add: Budgeted Prior Year Surplus	1,031,508
Add: Budgeted Governmental Leasing Receipts	150,000
Less: Other Financing Uses	<u>(790,460)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 8,023,141</u>

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SCHEDULE OF OPERATING REVENUE

ROWAN COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

Revenue Categories	GOVERNMENTAL FUND TYPES			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 2,880,461	\$ 2,879,249	\$ 1,212	\$
In Lieu Tax Payments	146,418	146,418		
Excess Fees	90,887	90,887		
Licenses and Permits	98,150	98,150		
Intergovernmental Revenues	3,124,157	2,581,900	542,257	
Charges for Services	932,364	52,006	880,358	
Miscellaneous Revenues	188,676	170,330	18,346	
Interest Earned	31,551	29,706	248	1,597
Total Operating Revenue	<u>\$ 7,492,664</u>	<u>\$ 6,048,646</u>	<u>\$ 1,442,421</u>	<u>\$ 1,597</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

ROWAN COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,314,840	\$ 1,102,908	\$ 211,932
Protection to Persons and Property	1,068,410	1,055,006	13,404
General Health and Sanitation	172,943	155,365	17,578
Social Services	33,848	32,363	1,485
Recreation and Culture	91,466	89,734	1,732
Roads	2,264,242	2,244,943	19,299
Airports	12,500	12,500	
Bus Services	18,656	15,547	3,109
Debt Service	91,156	91,157	(1)
Capital Projects	38,294	38,290	4
Administration	1,085,874	1,041,182	44,692
Total Operating Budget - General Fund Type	\$ 6,192,229	\$ 5,878,995	\$ 313,234
Other Financing Uses:			
Transfers to County of Rowan Properties			
Corporation Fund			
Principal	269,038	269,038	
Interest	114,422	114,421	1
Kentucky Area Development Districts			
Financing Trust - Principal	145,000	145,000	
Kentucky Association of Counties			
Leasing Trust - Principal	227,000	227,000	
TOTAL BUDGET - GENERAL FUND TYPE	\$ 6,947,689	\$ 6,634,454	\$ 313,235

ROWAN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 1,473,327	\$ 1,250,977	\$ 222,350
General Health and Sanitation	50,000	8,231	41,769
Debt Service	101,086	101,077	9
Administration	206,499	188,462	18,037
Total Operating Budget - Special Revenue Fund Type	\$ 1,830,912	\$ 1,548,747	\$ 282,165
Other Financing Uses:			
Kentucky Area Development Districts Financing Trust - Principal	35,000	35,000	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 1,865,912</u>	<u>\$ 1,583,747</u>	<u>\$ 282,165</u>

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SCHEDULE OF COUNTY OF ROWAN PROPERTIES
CORPORATION FUND EXPENDITURES

ROWAN COUNTY
SCHEDULE OF COUNTY OF ROWAN PROPERTIES
CORPORATION FUND EXPENDITURES

For The Fiscal Year Ended June 30, 2003

<u>Expenditure Items</u>	<u>Debt Service Fund</u>
Loan Interest	<u>\$ 2,688</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Clyde A. Thomas, Rowan County Judge/Executive
Members of the Rowan County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Rowan County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Rowan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs.

- 2003 - 1

The County Should Maintain Time Records For All Employees

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rowan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
February 11, 2004

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Clyde A. Thomas, Rowan County Judge/Executive
Members of the Rowan County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Rowan County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Rowan County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Rowan County's management. Our responsibility is to express an opinion on Rowan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rowan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Rowan County's compliance with those requirements.

In our opinion, Rowan County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Rowan County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Rowan County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
February 11, 2004

FINDINGS AND QUESTIONED COSTS

ROWAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2003

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Rowan County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements of Rowan County was disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Rowan County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Rowan County reported in Part C of this schedule.
7. The programs tested as major programs were: Federal Emergency Management Assistance - Severe Weather - CFDA #83.544 and State Domestic Preparedness Equipment Support Program - CFDA #97.004.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Rowan County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS:

None.

NONCOMPLIANCES:

Reference Number 2003-1

The County Should Maintain Time Records For All Employees.

Timesheets for some employees could not be located for the audit period. Pursuant to KRS 337.320, "Every employer shall keep a record of....the hours worked each day and each week by each employee....Such records shall be kept on file for at least one year after entry." We recommend that the Fiscal Court maintain appropriate time records for all employees.

County Judge/Executive Clyde Thomas's Response:

We have already started keeping timesheets.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ROWAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2003

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Justice</u>		
Passed Through State Justice Cabinet:		
Cops In Schools (CFDA #16.710)	Not Available	\$ 30,368
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Emergency Management Agency:		
State Domestic Preparedness Equipment Support Program (CFDA #97.004)	Not Available	337,160
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants-		
Coordinator Salary (CFDA #83.552)	Not Available	4,132
March 2002 Severe Storms (CFDA #83.544)	FEMA-1407-DR-KY	167,690
February 2003 Severe Storms (CFDA #83.544)	FEMA-1454-DR-KY	224,831
May 2003 Severe Weather (CFDA #83.544)	FEMA-1471-DR-KY	30,376
June 2003 Severe Storms (CFDA #83.544)	FEMA-1475-DR-KY	<u>1,831</u>
Total Cash Expenditures of Federal Awards		<u>\$ 796,388</u>

ROWAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2003

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Rowan County, Kentucky and is presented on the modified cash basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local, Governments, and Non-Profit Organizations.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS

ROWAN COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2003

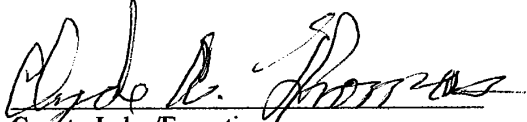
CERTIFICATION OF COMPLIANCE

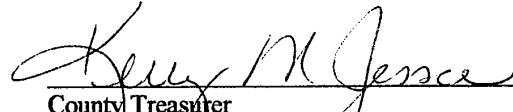
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

ROWAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2003

The Rowan County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


County Judge/Executive


County Treasurer

